

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Quarters Ended March 31,	
	2006	2005
	(in thousands, except per share data)	
Net revenue	\$ 86,602	\$ 76,572
Cost of revenue	26,753	24,737
Gross profit	59,849	51,835
Operating expenses:		
Research and development	18,099	13,706
Sales and marketing	36,083	28,020
General and administrative	13,226	6,166
Loss on excess office facilities (A)	738	-
Subtotal operating expenses	68,146	47,892
Antitrust litigation expenses (benefit), net (B)	(39,835)	3,744
Total operating expenses	28,311	51,636
Operating income	31,538	199
Other income (expense), net:		
Interest income, net	7,979	2,016
Equity in net loss of MusicNet	-	(1,066)
Other, net	117	(191)
Other income, net	8,096	759
Income before income taxes	39,634	958
Income tax provision	(14,751)	(144)
Net income	\$ 24,883	\$ 814
Basic net income per share	\$ 0.15	\$ 0.00
Diluted net income per share	\$ 0.14	\$ 0.00
Shares used to compute basic net income per share	160,887	170,947
Shares used to compute diluted net income per share	176,923	184,686

(A) The loss on unoccupied excess office facilities represents an increase in the estimate of the loss from building operating costs not expected to be recovered.

(B) Consists of amounts received under the Settlement and Commercial agreements with Microsoft, net of certain legal fees, personnel costs, public relations and other professional service fees incurred related to antitrust complaints against Microsoft, including proceedings in the European Union.

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2006	December 31, 2005
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 568,166	\$ 651,971
Short-term investments	133,004	129,356
Trade accounts receivable, net of allowances for doubtful accounts and sales returns	19,793	16,721
Deferred tax assets, net, current portion	38,476	54,204
Prepaid expenses and other current assets	12,994	11,933
Total current assets	772,433	864,185
Equipment, software and leasehold improvements, at cost:		
Equipment and software	59,526	56,402
Leasehold improvements	27,809	27,964
Total equipment, software and leasehold improvements	87,335	84,366
Less accumulated depreciation and amortization	54,221	51,228
Net equipment, software and leasehold improvements	33,114	33,138
Restricted cash equivalents	17,300	17,300
Equity investments	33,933	46,163
Goodwill, net	131,674	123,330
Other intangible assets, net	8,937	7,337
Deferred tax assets, net, non-current portion	25,314	19,147
Other assets	2,708	2,397
Total assets	\$ 1,025,413	\$ 1,112,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,267	\$ 11,397
Accrued and other liabilities	71,264	112,340
Deferred revenue, current portion	25,866	25,021
Accrued loss on excess office facilities, current portion	4,257	4,623
Total current liabilities	113,654	153,381
Deferred revenue, non-current portion	191	276
Accrued loss on excess office facilities, non-current portion	13,057	13,393
Deferred rent	4,117	4,018
Convertible debt	100,000	100,000
Other long-term liabilities	1,024	196
Total liabilities	232,043	271,264
Total shareholders' equity	793,370	841,733
Total liabilities and shareholders' equity	\$ 1,025,413	\$ 1,112,997

RealNetworks, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Quarters Ended March 31,	
	2006	2005
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 24,883	\$ 814
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,252	3,630
Stock-based compensation	3,638	36
Equity in net losses of MusicNet	-	1,066
Changes in accrued loss on excess office facilities and content agreement	(702)	(1,861)
Loss on disposal of equipment	77	139
Deferred income taxes	12,882	-
Other	29	17
Net change in certain operating assets and liabilities, net of balances from businesses acquired during the quarter	(47,088)	4,073
Net cash provided by (used in) operating activities	<u>(2,029)</u>	<u>7,914</u>
Cash flows from investing activities:		
Purchases of equipment, software and leasehold improvements	(2,568)	(2,087)
Purchases of intangible assets	-	(1,000)
Purchases of short-term investments	(58,884)	(46,338)
Proceeds from sales and maturities of short-term investments	55,180	50,497
Decrease in restricted cash equivalents	-	582
Purchases of cost based investments	-	(647)
Payment of acquisition costs, net of cash acquired	(6,799)	-
Net cash provided by (used in) investing activities	<u>(13,071)</u>	<u>1,007</u>
Cash flows from financing activities:		
Net proceeds from sale of common stock under employee purchase plan and exercise of stock options	7,614	1,514
Repurchase of common stock	(76,988)	-
Net cash provided by (used in) financing activities	<u>(69,374)</u>	<u>1,514</u>
Effect of exchange rate changes on cash and cash equivalents	669	(147)
Net increase (decrease) in cash and cash equivalents	(83,805)	10,288
Cash and cash equivalents at beginning of period	651,971	219,426
Cash and cash equivalents at end of period	568,166	229,714
Short-term investments at end of period	133,004	139,988
Total cash, cash equivalents and short-term investments at end of period	<u>\$ 701,170</u>	<u>\$ 369,702</u>

RealNetworks, Inc. and Subsidiaries
Supplemental Financial Information
(Unaudited)

	2006		2005			2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands)								
Net Revenue by Line of Business: *									
Consumer products and services (A)	\$ 74,811	\$ 73,415	\$ 71,750	\$ 70,593	\$ 64,206	\$ 61,541	\$ 56,034	\$ 53,743	\$ 47,025
Technology products and solutions (B)	11,791	10,153	10,483	12,093	12,366	11,005	12,276	11,730	13,365
Total net revenue	<u>\$ 86,602</u>	<u>\$ 83,568</u>	<u>\$ 82,233</u>	<u>\$ 82,686</u>	<u>\$ 76,572</u>	<u>\$ 72,546</u>	<u>\$ 68,310</u>	<u>\$ 65,473</u>	<u>\$ 60,390</u>
Consumer Products and Services: *									
Subscriptions (C)	\$ 47,832	\$ 47,508	\$ 47,347	\$ 47,821	\$ 44,400	\$ 42,722	\$ 38,395	\$ 35,459	\$ 32,073
Media properties (D)	9,484	10,224	9,606	8,986	6,033	6,345	5,575	7,109	4,420
E-commerce and other (E)	17,495	15,683	14,797	13,786	13,773	12,474	12,064	11,175	10,532
Total consumer products and services revenue	<u>\$ 74,811</u>	<u>\$ 73,415</u>	<u>\$ 71,750</u>	<u>\$ 70,593</u>	<u>\$ 64,206</u>	<u>\$ 61,541</u>	<u>\$ 56,034</u>	<u>\$ 53,743</u>	<u>\$ 47,025</u>
Consumer Products and Services: *									
Music (F)	\$ 28,918	\$ 27,760	\$ 26,193	\$ 24,933	\$ 22,883	\$ 21,558	\$ 18,787	\$ 15,580	\$ 12,265
RealPlayer, related consumer products and other (G)	27,277	29,914	30,858	32,012	29,134	29,653	28,149	29,811	28,005
Games (H)	18,616	15,741	14,699	13,648	12,189	10,330	9,098	8,352	6,755
Total consumer products and services revenue	<u>\$ 74,811</u>	<u>\$ 73,415</u>	<u>\$ 71,750</u>	<u>\$ 70,593</u>	<u>\$ 64,206</u>	<u>\$ 61,541</u>	<u>\$ 56,034</u>	<u>\$ 53,743</u>	<u>\$ 47,025</u>
Net Revenue by Geography:									
United States	\$ 65,700	\$ 65,177	\$ 63,478	\$ 63,443	\$ 57,757	\$ 55,608	\$ 52,054	\$ 50,949	\$ 43,963
Rest of world	20,902	18,391	18,755	19,243	18,815	16,938	16,256	14,524	16,427
Total net revenue	<u>\$ 86,602</u>	<u>\$ 83,568</u>	<u>\$ 82,233</u>	<u>\$ 82,686</u>	<u>\$ 76,572</u>	<u>\$ 72,546</u>	<u>\$ 68,310</u>	<u>\$ 65,473</u>	<u>\$ 60,390</u>
Gross Margin by Line of Business: **									
Consumer products and services	67%	70%	68%	68%	65%	64%	59%	63%	58%
Technology products and solutions	83%	81%	82%	83%	82%	82%	83%	83%	83%
Total gross margin	69%	71%	70%	70%	68%	67%	64%	67%	56%
Subscribers (presented as greater than) ***									
Total	2,400	2,250	2,200	2,000	1,850	1,550	1,550	1,400	1,300
Music	1,575	1,425	1,300	1,150	975	700	625	550	450

*Reclassifications were made to the presentation of 2005 and 2004 data to conform to the presentation for 2006

**For the quarter ended March 31, 2004, total gross margin includes loss on content agreement of \$4.9 million

***Beginning the quarter ended March 31, 2005, total and music subscribers reflect the inclusion of subscribers that registered for the Comcast Rhapsody Radio Plus service

(A) Revenue is derived from consumer digital media subscription services, RealPlayer Plus and related products, sales and distribution of third party software products, content such as games and music, and advertising

(B) Revenue is derived from media delivery system software, support and maintenance services, broadcast hosting services and consulting services

(C) Revenue is derived from consumer digital media subscription services including: SuperPass, RadioPass, Rhapsody, GamePass and stand-alone subscriptions

(D) Revenue is derived from all advertising and through the distribution of third party products

(E) Revenue is derived from RealPlayer Plus and related products, sales of third party software products, and content such as games and music

(F) Revenue is derived from Rhapsody and RadioPass subscription services and sales of music content, advertising generated from our music and music related websites and the distribution of third party products

(G) Revenue is derived from SuperPass subscriptions, RealPlayer Plus and related products, stand-alone subscription services, sales and distribution of third party software products and advertising related to our non-game and non-music related web properties

(H) Revenue is derived from the GamePass subscription service, sales of games, advertising generated from our games and game-related websites and the distribution of third party products

RealNetworks, Inc. and Subsidiaries
Supplemental Financial Information
(Unaudited)

A reconciliation of Generally Accepted Accounting Principles ("GAAP") net income to adjusted net income (loss) is as follows:

	Quarters Ended				
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
	(in thousands, except per share data)				
Net income in accordance with GAAP	\$ 24,883	\$ 295,640	\$ 11,182	\$ 4,709	\$ 814
Stock-based compensation	3,638	19	25	48	36
Loss (gain) on equity investments	-	266	(11,740)	(7,590)	-
Expenses (benefit) related to antitrust litigation:					
Income	(40,000)	(478,571)	-	-	-
Expenses	971	50,850	3,531	4,650	3,744
Charitable contributions due to antitrust litigation benefit	1,225	14,786	-	-	-
Tax impact of proforma items	12,717	113,325	3,324	-	-
Total adjusted net income (loss)	<u>\$ 3,434</u>	<u>\$ (3,685)</u>	<u>\$ 6,322</u>	<u>\$ 1,817</u>	<u>\$ 4,594</u>
GAAP basic net income per share	\$ 0.15	\$ 1.76	\$ 0.07	\$ 0.03	\$ 0.00
GAAP diluted net income per share	\$ 0.14	\$ 1.61	\$ 0.06	\$ 0.03	\$ 0.00
Adjusted basic net income per share	\$ 0.02	\$ (0.02)	\$ 0.04	\$ 0.01	\$ 0.03
Adjusted diluted net income per share	\$ 0.02	n/a	\$ 0.03	\$ 0.01	\$ 0.02
Shares used to compute basic net income per share	160,887	167,573	170,797	171,393	170,947
Shares used to compute diluted net income per share	176,923	183,728	184,180	184,816	184,686

A reconciliation of GAAP cost of revenue and operating expenses for the quarters ended March 31, 2006, December 31, 2005 and March 31, 2005 to adjusted cost of revenue and adjusted operating expenses is as follows:

	Quarter Ended March 31, 2006			
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	Adjusted
	(in thousands)			
Expenses in accordance with GAAP				
Cost of revenue	\$ 26,753	\$ (50)	\$ -	\$ 26,703
Operating expenses:				
Research and development	\$ 18,099	\$ (1,369)	\$ -	\$ 16,730
Sales and marketing	36,083	(1,359)	-	34,724
General and administrative	13,226	(860)	(2,031)	10,335
Antitrust litigation expenses (benefit)	(39,835)	-	39,835	-
Loss on excess office facilities	738	-	-	738
Total adjusted operating expenses	<u>\$ 28,311</u>	<u>\$ (3,588)</u>	<u>\$ 37,804</u>	<u>\$ 62,527</u>

	Quarter Ended December 31, 2005			
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	Adjusted
	(in thousands)			
Operating expenses in accordance with GAAP				
Research and development (A)	\$ 25,351	\$ (16)	\$ -	\$ 25,335
Sales and marketing	36,706	-	-	36,706
General and administrative	29,576	(3)	(21,490)	8,083
Antitrust litigation expenses (benefit)	(434,425)	-	434,425	-
Total adjusted operating expenses (benefit)	<u>\$ (342,792)</u>	<u>\$ (19)</u>	<u>\$ 412,935</u>	<u>\$ 70,124</u>

	Quarter Ended March 31, 2005			
	As Reported	Stock-Based Compensation	Antitrust Litigation Related	Adjusted
	(in thousands)			
Operating expenses in accordance with GAAP				
Research and development	\$ 13,706	\$ (36)	\$ -	\$ 13,670
Sales and marketing	28,020	-	-	28,020
General and administrative	6,166	-	-	6,166
Antitrust litigation expenses	3,744	-	(3,744)	-
Total adjusted operating expenses	<u>\$ 51,636</u>	<u>\$ (36)</u>	<u>\$ (3,744)</u>	<u>\$ 47,856</u>

(A) Includes approximately \$8.5 million related to a loss on a cancelled purchase agreement for an element of an on-going research and development project

Forward Looking Guidance

A reconciliation of GAAP net income per diluted share guidance for the quarter ending June 30, 2006 and the full year 2006 to adjusted net income per diluted share is as follows:

	Quarter Ending June 30, 2006		Year Ending December 31, 2006	
	Low	High	Low	High
	(in thousands)			
Net Income per diluted share in accordance with GAAP	\$ 0.19	\$ 0.20	\$ 0.75	\$ 0.80
Antitrust litigation related (benefit), net	(0.30)	(0.30)	(1.15)	(1.16)
Stock-based compensation	0.02	0.02	0.10	0.08
Gains on sales of equity investments	(0.01)	(0.01)	(0.01)	(0.01)
Tax effect of above proforma items	0.11	0.11	0.39	0.41
Total adjusted net income per diluted share	\$ 0.01	\$ 0.02	\$ 0.08	\$ 0.12